FISCAL NOTE

Bill #:	HB 571	**Title:**	Revise property taxes by reducing state equalization aid levy
Primary Sponsor:	Pat Wagman	**Status:**	As Introduced

Sponsor signature Date   David Ewer, Budget Director Date

Fiscal Summary

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
General Fund	$0	$0
Revenue:		
General Fund	($5,456,471)	($5,607,771)
Net Impact on General Fund Balance:	($5,456,471)	($5,607,771)

- ☐ Significant Local Gov. Impact
- ☐ Included in the Executive Budget
- ☐ Dedicated Revenue Form Attached
- ☐ Technical Concerns
- ☒ Significant Long-Term Impacts
- ☒ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. HB 571 reduces the state equalization aid levy provided for in 20-9-360, MCA, from 40 mills to 37 mills.
2. The bill has a retroactive applicability date to tax years beginning after December 31, 2004, or tax year 2005. Because of the retroactive date provided for in the bill, the fiscal impacts are full year impact in both FY 2006 and FY 2007.
3. The total taxable value of property, for statewide mill levy purposes in FY 2005 is $1,785,775,354. This taxable value does not include the amount of local option abatements of approximately $4 million.
4. The Office of Budget and Program Planning (OBPP) and the Legislative Fiscal Division (LFD) use a revenue estimation model to project the values of each tax class of property into the future. Overall, taxable value of all property in Montana is projected to grow by 2.5% each year over the biennium.
5. Taxable value is estimated at $1,830,413,798 in FY 2006, and $1,876,211,630 in FY 2007.
6. Included in the taxable values listed above, are the estimated incremental taxable values of tax increment finance districts (TIFD) of $27,905,738 in FY 2006, and $23,270,153 in FY 2007.
7. Since TIFD receive revenue from state mills, including the 40 mill for equalization, the incremental taxable values are removed from this fiscal note analysis in regards to general fund impacts. (see local government impacts)

8. Removing the TIFD incremental taxable values yields taxable values of $1,802,508,060 for FY 2006, and $1,852,914,477 for FY 2007.
9. It is estimated that a 3-mill decrease in the state equalization aid levy would reduce general fund revenues by $5,407,524 ($1,802,508,060 x 3 mills) in FY 2006, and $5,558,824 ($1,852,914,477 X 3 mills) in FY 2007.
10. Various non-levy revenue, such as penalty and interest, BLM grazing payments, federal payments in lieu of tax, county investment earnings, and other miscellaneous non-levy revenue is distributed based on mill levies. It is estimated that the state will receive $1.55 million each year over the biennium from these non-levy revenue sources.
11. Reducing the statewide mill levies from 95 to 92 is a reduction of 3.16%.
12. Non-levy revenue loss under the proposal is estimated at $48,947 ($1.55 million x 3.16%).

FISCAL IMPACT:

	FY 2006 Difference	FY 2007 Difference
Revenues:		
General Fund (01)	($5,456,471)	($5,607,771)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
General Fund (01)	($5,456,471)	($5,607,771)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Tax increment finance districts (TIFD) receive revenue from state mills, including the 40 mill for equalization. The estimated incremental taxable values of tax increment finance districts (TIFD) are $27,905,738 in FY 2006, and $23,270,153 in FY 2007. Reducing the 40 mill levy by 3 mills will decrease revenue to TIF districts by $83,717 ($27,905,738 x 3 mills) in FY 2006, and $69,810 ($23,270,153 x 3 mills) in FY 2007.

LONG-RANGE IMPACTS:

This bill will reduce revenue to the general fund in all future fiscal years by $5.6 million per year, plus any growth in total taxable value multiplied by the 3-mill reduction in the equalization levy.